

## STOCK EXCHANGE ANNOUNCEMENT no. 14/09

### Interim report for the six months ended 30 June 2009

The Board of Directors of Topsil Semiconductor Materials A/S has today considered and adopted the interim report for the six months ended 30 June 2009. Highlights of the interim report, which is unaudited:

#### *Year to date*

- Consolidated revenue for H1 2009 was DKK 191.5m against DKK 127.9m in H1 2008. DKK 36.1m of the DKK 63.6m increase was attributable to revenue from the activities acquired in Poland.
- Operating profit (EBIT) for H1 2009 was DKK 33.9m compared with DKK 30.4m in 2008. The Polish activities reported an operating loss (EBIT) of DKK 16.1m for H1 2009.
- The group's profit before tax for H1 2009 amounted to DKK 29.4m against DKK 28.0m in the year-earlier period.
- At 30 June 2009, the group's total assets stood at DKK 547.5m and its equity ratio at 46.4%.
- The group generated positive cash flows of DKK 21.3m in the first six months of 2009, following favourable developments in operating profit and working capital.

#### *Three months ended 30 June 2009*

- Consolidated revenue for Q2 2009 was DKK 92.9m and consolidated EBIT DKK 10.4m. The parent company reported revenue of DKK 70.8m and EBIT of DKK 19.1m. Topsil reported revenue of DKK 61.9m and EBIT of DKK 13.4m for the year-earlier period.
- The 15% revenue growth reflected unchanged, strong demand for the group's FZ-based products, although a few customers deferred their orders from the third quarter to the fourth quarter of 2009. While sales of CZ silicon are on the rise, the level is lower than earlier expected and continues to be adversely affected by the economic downturn in the electronics and semiconductor industries.

#### *Outlook*

- Taken together the group lowers its consolidated revenue forecast for 2009 to DKK 410–430m (previously DKK 430–450m). The EBIT margin for 2009 is expected to be 17% (previously 18%), and profit for the year before tax is now expected to come to DKK 55–65m (previously DKK 65–75m).

### Further information

Please direct any questions regarding this announcement to:

Jens Borelli-Kjær, Chairman, tel. +45 40 16 14 82

Keld Lindegaard Andersen, CEO, tel. +45 21 70 87 72

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## Management Report

Key figures and financial ratios of the group (unaudited):

DKK '000	2009	2008	2008
	Jan. – June	Jan. – June	Jan. - Dec.
Revenue	191,533	127,851	289,402
Operating profit (EBIT)	33,900	30,384	64,154
Financial items, net	(4,534)	(2,400)	(2,085)
Net profit for the period after tax	17,553	20,428	45,865
Capital employed	230,234	79,242	260,454
Net working capital	54,723	38,208	62,509
Equity	253,806	170,736	249,246
Total assets	547,510	215,858	503,875
Expenditure on property, plant and equipment	14,441	1,973	8,058
Net interest-bearing debt	26,100	(102,541)	35,922
Cash earnings	33,579	23,084	54,063
Average number of full-time employees	390	83	140
Current number of shares (thousands)	407,961	403,392	403,392
Diluted number of shares (thousands)	436,658	409,254	408,823
<b>Ratios</b>			
Profit margin (%)	17.8	23.8	22.2
Return on capital employed (%)	20.7	41.2	38.5
Return on equity (%)	8.4	13.5	23.1
Gearing	0.1	(0.6)	0.1
Revenue/capital employed	0.8	1.6	1.1

## Comments on the financial results for the six months ended 30 June 2009

### Developments in operations and financial position

#### Financial results

Consolidated revenue increased by 49.7% from DKK 127.9m in H1 2008 to DKK 191.5m in H1 2009. The DKK 63.6m revenue growth was driven by a combination of higher volumes and the product mix in the Float Zone (FZ) activities as well as the recognition of the Polish activities, which reported revenue of DKK 36.1m for H1 2009. Revenue for Q2 2009 was DKK 92.9m against DKK 61.9m in Q2 2008. When adjusted for the Q2 revenue of DKK 22.1m from the Polish activities, revenue grew by 14.7%.

The group's contribution margin for H1 2009 was on a level with the year-earlier period, despite the adverse impact which the Polish activities had on operations. The group was able to maintain its contribution margin due to the positive performance of the parent company's operations, which were driven by improved production efficiency and increased volumes.

EBIT for H1 2009 was DKK 33.9m corresponding to an EBIT margin of 17.7% compared with an operating profit of DKK 30.4m and an EBIT margin of 23.8% in H1 2008. The group's operating profit was

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adversely affected by a loss of DKK 16.1m from the Polish activities. EBIT for Q2 2009 was DKK 10.4m against DKK 13.4m in the year-earlier period.

Financial items in the first half of 2009 amounted to a net expense of DKK 4.5m, comprising interest expenses of DKK 5.9m and the recognition of an unrealised capital gain of DKK 1.4m. Compared to last year, the group's interest expenses grew due to the acquisition of Cemat Silicon S.A. and the increased debt resulting from the acquisition.

The group reported a profit before tax of DKK 29.4m and a profit after tax of DKK 17.6m for H1 2009, compared with a profit before tax of DKK 28.0m and a profit after tax of DKK 20.4m for H1 2008.

The profit for the first six months of 2009 fell short of expectations due to the lower revenue from the Polish activities. In light of the market trends for CZ-based products and the ongoing restructuring of Cemat Silicon S.A., the profit for the period is considered to be acceptable.

### **Balance sheet**

The group's total assets at 30 June 2009 amounted to DKK 547.5m, which was an improvement of DKK 331.6m compared with the year-earlier period. The increase was mainly attributable to the acquisition of the Polish companies in October 2008. Cemat70 S.A. is recognised in the consolidated financial statements. Topsil continues to hold 53% of the shares in Cemat70 S.A. through its subsidiary Cemat Silicon S.A. Since 1 January 2009, the group's assets grew by DKK 43.6m.

Since 1 January 2009, the net working capital was reduced by DKK 7.8m to DKK 54.7m, due to reduced receivables and an increase in the value of inventories and trade creditors.

The net interest-bearing debt at 30 June 2009 stood at DKK 26.1m compared with DKK 35.9m at 1 January 2009.

Equity stood at DKK 253.8m at 30 June 2009 against DKK 249.2m at 31 December 2008. The small change in equity resulted from the Polish subsidiaries once again being recognised at a lower value (DKK 14.2m) than at the beginning of the year, due to the depreciation of the Polish currency (PLN) relative to Danish kroner. Equity represented 46.4% of the balance sheet total at 30 June 2009 compared with 49.5% at 1 January 2009.

### **Cash flows and liquidity**

The group reported positive cash flows for the first six months of 2009 of DKK 21.3m, which was attributable to both to the improvement in operating profit and the reduced working capital compared with the year-earlier period.

Cash and cash equivalents at 30 June 2009 stood at DKK 85.4m, of which DKK 53.0m derived from Cemat 70 S.A., in which Topsil Semiconductor Materials A/S has a controlling influence through its 53% ownership interest.

### **Topsil's market for FZ (Float Zone) based and CZ (Czochralski) based products**

The group continues to experience strong, unchanged demand for FZ-based products. A few customers have, however, changed their forecasts, deferring orders from the third to the fourth quarter of 2009. The deferred orders will be delivered in Q4 2009 or have been allocated to other of the group's customers. Accordingly, Topsil's FZ capacity for 2009 continues to be fully allocated.

While sales of CZ silicon is on the rise, the level is lower than in 2008 and earlier expected, and continues to be adversely affected by the slowdown in the electronics and semiconductor industries causing demand and market prices to drop. This affected the group's Polish company Cemat Silicon S.A., which saw its revenue level fall below budget. Activities are, however, picking up, and the Q2 sales of CZ-based products improved compared with Q1 2009.

One of the key factors of the acquisition of Cemat Silicon S.A. was getting access to in-house wafering capacity rather than relying on outsourcing. The transfer of Topsil's wafering activities from sub-suppliers in Asia to in-house production at Cemat Silicon S.A. has, however, proved more time-consuming than

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originally estimated. However, the group continues to believe that the savings and synergies announced can be fully achieved by 2012 as previously expected.

### **Continued focus on optimisation and efficiency improvements**

The parent company Topsil is still focused on optimising internal processes in day-to-day operations, and efforts are made to optimise working hours in the production environment with a view to achieving greater flexibility and improved utilisation of shift work. Cemat Silicon S.A. continues its intensive efforts to align capacity to demand, and considerable staff reductions were carried out in H1 2009.

During the past 18 months, the group has been in the process of establishing a new ERP platform, and on 1 June 2009, the parent company migrated to the new Axapta system. In terms of IT, the Polish company lags considerably behind Topsil, and it is assumed that it will be another one to two years before Cemat Silicon S.A. comes on level with Topsil in this area. During the second quarter of 2009, the group also completed extensive efforts to consolidate the group's finished goods inventories, distribution and shipment activities in Poland. These activities had a negative impact on shipments to the effect that the Q2 level was marginally lower than previously expected. The third quarter of 2009 is also expected to be slightly affected, and Q4 is therefore expected to produce the peak revenue of 2009.

At the same time, efforts are made to create a more distinctive niche portfolio and strengthen the overall business. The group plans to change parts of the Polish product range, and new production processes will be introduced and integrated with the processes at Topsil. These efforts are expected to extend into 2010.

As part of the efforts to increase production efficiency and production capacity, Topsil initiated a project to expand the factory in Frederikssund in early 2009. During the past months, management has reviewed the project and is now considering the operational potential and return of an entirely new production plant (greenfield), which will ensure continued FZ expansion in Denmark. The decision of whether to expand the Frederikssund factory is therefore pending a final decision-making basis.

### **Significant financial risks**

The group does not use derivative financial instruments to hedge currency risks. Instead, the group uses commercial hedging by balancing currency inflow and outflow. The group's most important currency is USD, which makes up about 50% of total cash flows. Moreover, the group has provided substantial cash security in USD to uphold the raw materials agreement (2007-2012). A currency fluctuation in USD/DKK of +/- DKK 0.50 would affect the group's results before tax by about DKK +/- 5.3m.

### **Events after 30 June 2009**

The company Cemat Silicon S.A. filed an application in Poland for an EU grant for part of its future investments activities. The investments selected represent PLN 27.1m over a four-year period. The application was approved in July 2009 resulting in a grant of 30%, corresponding to PLN 8.1m. The grant will be paid out as and when the investments are made at Cemat Silicon S.A.

### **Outlook**

In Topsil's full-year profit announcement for 2008, management expected the group to report 2009 revenue of about DKK 430–450m, an EBIT margin of 18% and a profit before tax of DKK 65–75m for 2009. The Polish activities at Cemat Silicon S.A. were expected to generate revenue of DKK 100–120m and an operating loss of DKK 10–15m, based on a USD/DKK exchange rate of 6.

After the first six months of 2009 the electronics and semiconductor industries are reducing stocks in response to slowing demand, primarily affecting the order intake and sales at Cemat Silicon S.A. On the whole the demand for Topsil's key products is in line with expectations. Consequently, the forecast for 2009 for the group is downgraded to revenue of about DKK 410–430m, equivalent to revenue growth of

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approximately 45%. Accordingly, the EBIT margin is expected to be 17%, whereas the expected profit before tax for 2009 is lowered to DKK 55–65m, on a level with 2008.

The above forecasts are based on a USD/DKK exchange rate of 5.50.

### **Accounting policies**

The interim report has been presented in accordance with the current provisions of recognition and measurement of the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for listed companies, cf. IFRS 34 "Interim Financial Reporting", issued in compliance with the Danish Financial Statements Act and the guidelines of NASDAQ OMX Copenhagen.

The interim report is unaudited and unreviewed. The accounting policies are consistent with those applied to the annual report for 2008, and reference is made to the annual report for more detailed information on the accounting policies applied. A full description of the accounting policies is contained in the annual report for 2008.

### **Judgments and estimates**

The preparation of interim reports requires management to make accounting judgments and estimates that affect the use of accounting policies and recognised assets, liabilities, income and expenses. Actual results may differ from these estimates.

The most significant estimates made by management when using the group's accounting policies and the most significant judgment uncertainty attached thereto are the same for the preparation of the summarised interim report as for the preparation of the annual report for 2008.



## Statement by the Board of Directors and Management

The Board of Directors and Management have today considered and adopted the interim report for the six months ended 30 June 2009 of Topsil Semiconductor Materials A/S.

The interim report, which is unaudited, is presented in accordance with the current recognition and measurement provisions of the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish interim financial reporting requirements for listed companies.

We consider the accounting policies to be appropriate to the effect that the interim report gives a true and fair view of the group's assets, liabilities and financial position at 30 June 2009 and of the results of the group's operations and cash flows for the six months ended 30 June 2009.

In our opinion, the management report gives a true and fair view of developments in the activities and financial position of the group, the results for the period and of the group's financial position in general and gives a fair description of significant risk and uncertainty factors that may affect the group.

Frederikssund, 20 August 2009

Management:

Keld Lindegaard Andersen  
CEO

Jørgen Bødker  
VP, Sales and Marketing

Board of Directors:

Jens Borelli-Kjær  
Chairman

Eivind Dam Jensen  
Vice-Chairman

Jørgen Frost  
Member of the Board

Ole C. Andersen  
Member of the Board

Trine Schønnemann  
Employee Representative

Leif Jensen  
Employee Representative

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## Income statement 1 January – 30 June

### Group

DKK '000	Q2 2009	Q2 2008	H1 2009	H1 2008	2008 Jan.-Dec
Revenue	92,936	61,859	191,533	127,851	289,402
Direct production costs	(47,314)	(27,897)	(90,081)	(57,977)	(124,097)
Other external expenses and staff costs	(31,732)	(19,088)	(59,753)	(36,558)	(93,080)
Depreciation, amortisation and impairment	(3,447)	(1,497)	(7,799)	(2,932)	(8,071)
<b>Operating profit (EBIT)</b>	<b>10,443</b>	<b>13,377</b>	<b>33,900</b>	<b>30,384</b>	<b>64,154</b>
Financial items, net	(3,344)	1,048	(4,534)	(2,400)	(2,085)
<b>Profit before tax</b>	<b>7,099</b>	<b>14,425</b>	<b>29,366</b>	<b>27,984</b>	<b>62,069</b>
Tax on the profit for the period	(3,617)	(3,895)	(11,814)	(7,556)	(16,204)
<b>Net profit for the period</b>	<b>3,482</b>	<b>10,530</b>	<b>17,552</b>	<b>20,428</b>	<b>45,865</b>
<b>Distribution of profit for the period:</b>					
Parent company shareholders	3,600	10,530	17,737	20,428	46,044
Minority interests	(118)	0	(185)	0	(179)
	<b>3,482</b>	<b>10,530</b>	<b>17,552</b>	<b>20,428</b>	<b>45,865</b>

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## Statement of comprehensive income Group

DKK '000	Q2 2009	Q2 2008	H1 2009	H1 2008	31.12.2008
<b>Profit for the period</b>	3,482	10,530	17,552	20,428	45,865
Foreign exchange adjustment relating to foreign companies	9,167	0	(14,237)	0	(17,706)
<b>Comprehensive income for the period</b>	<b>12,649</b>	<b>10,530</b>	<b>3,315</b>	<b>20,428</b>	<b>28,159</b>
<b>Distribution of comprehensive income</b>					
Parent company shareholders	10,452	10,530	9,230	20,428	37,518
Minority interests	2,197	0	(5,915)	0	(9,359)
	<b>12,649</b>	<b>3,315</b>	<b>3,315</b>	<b>20,428</b>	<b>28,159</b>

## Earnings per share:

	H1 2009	H1 2008	31.12.2008
<b>Return for the group's shareholders (DKK '000)</b>	17,737	20,428	46,044
Average number of shares (thousands)	407,961	403,392	403,011
Average number of shares, diluted (thousands)	436,658	409,254	408,442
Earnings per share (DKK)	0.04	0.05	0.11
Diluted earnings per share (DKK)	0.04	0.05	0.11

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## Balance sheet as at 30 June

### Assets

DKK '000	2009	2008	31.12.2008
Completed development projects	11,286	10,983	11,720
Goodwill	16,532	0	17,758
Right of use	14,350	0	15,510
Other intangible assets	981	6	1,317
Development projects in progress	1,591	2,283	638
<b>Intangible assets</b>	<b>44,740</b>	<b>13,272</b>	<b>46,943</b>
Buildings	53,559	0	59,038
Plant and machinery	73,634	21,171	81,598
Other fixtures and fittings, tools and equipment	2,917	3,111	3,597
Property, plant and equipment under construction	20,034	3,480	6,769
<b>Tangible assets</b>	<b>150,144</b>	<b>27,762</b>	<b>151,002</b>
Other non-current receivables*	61,912	47,009	66,694
<b>Financial assets</b>	<b>61,912</b>	<b>47,009</b>	<b>66,694</b>
<b>Non-current assets</b>	<b>256,796</b>	<b>88,043</b>	<b>264,639</b>
<b>Inventories</b>	<b>125,468</b>	<b>40,390</b>	<b>85,310</b>
Receivables	64,515	30,641	65,262
Other receivables	14,836	0	20,152
Prepaid tax	0	0	0
Prepayments	464	1,252	358
<b>Receivables</b>	<b>79,815</b>	<b>31,893</b>	<b>85,772</b>
<b>Cash and cash equivalents</b>	<b>85,431</b>	<b>55,532</b>	<b>68,154</b>
<b>Current assets</b>	<b>290,714</b>	<b>127,815</b>	<b>239,236</b>
<b>Total assets</b>	<b>547,510</b>	<b>215,858</b>	<b>503,875</b>

\* Other non-current receivables include the deposit made as collateral security for raw materials contracts.

## Balance sheet as at 30 June

### Equity and liabilities

DKK '000	2009	2008	31.12.2008
Share capital*	101,990	100,848	100,848
Translation reserve	(27,087)	0	(17,706)
Reserve for share-based payments	1,635	835	844
Retained earnings	112,801	69,053	95,063
<b>Equity attributable to parent company shareholders</b>	<b>189,339</b>	<b>170,736</b>	<b>179,049</b>
<b>Equity attributable to minority interests</b>	<b>64,467</b>	<b>0</b>	<b>70,197</b>
<b>Equity</b>	<b>253,806</b>	<b>170,736</b>	<b>249,246</b>
Debt to credit institutions	117,830	0	116,076
Finance lease liabilities	399	0	614
Prepayments received on account from customers	9,209	11,047	10,548
Other non-current liabilities	0	0	1,845
Deferred tax liabilities	15,706	0	16,973
<b>Non-current liabilities</b>	<b>143,144</b>	<b>11,047</b>	<b>146,056</b>
Debt to credit institutions	32,604	0	39,793
Finance lease liabilities	215	0	191
Trade creditors	60,413	9,402	31,958
Prepayments received on account from customers	9,794	0	3,659
Income tax payable	15,456	2,515	4,046
Provisions	4,575	232	962
Other payables	27,503	21,926	27,964
<b>Current liabilities</b>	<b>150,560</b>	<b>34,075</b>	<b>108,573</b>
<b>Total liabilities</b>	<b>293,704</b>	<b>45,122</b>	<b>254,629</b>
<b>Equity and liabilities</b>	<b>547,510</b>	<b>215,858</b>	<b>503,875</b>

\* The share capital consists of 407,960,734 shares with a nominal value of DKK 0.25 each. The company has one class of shares.

## Statement of changes in equity Group

DKK '000

	Share capital	Translation reserve	Reserve for share-based payments	Retained earnings	Total equity
Equity as at 01.01.09 attributable to parent company shareholders	100,848	(17,706)	844	95,063	179,049
Equity as at 01.01.09 attributable to minority interests	0	0	0	70,197	70,197
<b>Equity as at 01.01.09</b>	<b>100,848</b>	<b>(17,706)</b>	<b>844</b>	<b>165,260</b>	<b>249,246</b>
Share-based payment	0	0	791	0	791
Cash capital increase	1,142	0	0	0	1,142
Share premium on capital increase	0	0	0	115	115
Acquisition of minority interest shares	0	0	0	(803)	(803)
Comprehensive income for the period	0	(14,238)	0	17,553	3,315
<b>Equity as at 30.06.09</b>	<b>101,990</b>	<b>(31,944)</b>	<b>1,635</b>	<b>182,125</b>	<b>253,806</b>

DKK '000

	Share capital	Translation reserve	Reserve for share-based payments	Retained earnings	Total equity
Equity as at 01.01.08	99,706	0	1,111	48,510	149,327
Share-based payments	0	0	(276)	0	(276)
Cash capital increase	1,142	0	0	0	1,142
Share premium on capital increase	0	0	0	115	115
Comprehensive income for the period	0	0	0	20,428	20,428
<b>Equity as at 30.06.08</b>	<b>100,848</b>	<b>0</b>	<b>835</b>	<b>69,053</b>	<b>170,736</b>

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## Cash-flow statement for the six months ended 30 June 2009

DKK '000	2009	2008
Operating profit (EBIT)	33,900	30,384
Depreciation, amortisation and impairment	7,799	2,932
Foreign exchange adjustment of results of subsidiary	(509)	0
Share-based payment recognised in the income statement	791	(276)
Change in net working capital	2,462	(383)
<b>Cash flows from operating activities</b>	<b>44,439</b>	<b>32,657</b>
Tax paid on account	(291)	(11,000)
Financial income received	2,218	1,732
Financial expenses paid	(6,752)	(4,132)
<b>Cash flows from operating activities</b>	<b>39,618</b>	<b>19,257</b>
Acquisition of intangible assets	(953)	(779)
Acquisition of property, plant and equipment	(14.441)	(1,973)
<b>Cash flows from investing activities</b>	<b>(15.394)</b>	<b>(2,752)</b>
Capital increase	1.257	1,257
Acquisition of minority interest in subsidiary	(803)	0
Repayment of debts	(3.347)	0
<b>Cash flows from financing activities</b>	<b>(2.893)</b>	<b>1,257</b>
<b>Change in cash and cash equivalents</b>	<b>21.331</b>	<b>17,762</b>
Cash and cash equivalents at 1 January	68.154	37,770
Market value adjustment of cash and cash equivalents	(4.054)	0
<b>Cash and cash equivalents at 30 June</b>	<b>85.431</b>	<b>32,669</b>

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## List of announcements to NASDAQ OMX Copenhagen 1 January 2009 to date:

<b>Date</b>	<b>No.</b>	<b>Announcement</b>
24 March 2009	01/09	Full year profit announcement 2008
30 March 2009	02/09	Capital increase due to exercise of warrants
01 April 2009	03/09	Report on insider transaction
01 April 2009	04/09	Amendment of Articles of Association
03 April 2009	05/09	Capital increase - correction
20 April 2009		Annual report 2008
20 April 2009	06/09	Notice of annual general meeting 2009
30 April 2009	07/09	Resolutions of annual general meeting 2009
01 May 2009	08/09	Notice of extraordinary general meeting 2009
14 May 2009	09/09	Resolutions of extraordinary general meeting 2009
15 May 2009	10/09	Amendment of Articles of Association
25 May 2009	11/09	Interim report for the three months ended 31 March 2009
25 May 2009	12/09	Warrant and bonus programme for the Management and warrant programme for managerial employees
25 May 2009	13/09	Amendment of Articles of Association

### Financial calendar 2009

<b>Date</b>	<b>Announcement</b>	<b>Silent period</b>
12.11	Interim report – Q3 2009	15.10.09 - 12.11.09

Please note that this translation is provided for convenience only. The Danish version shall prevail in case of discrepancies.

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